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# Domestic Support and the Doha Development Agenda: An exercise in political economy<sup>1</sup>

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## *Abstract*

*Following the July 2004 Framework, this paper suggest that regardless of low or high level of reductions, Iceland, Norway, Switzerland, the European Union, and United States have problems with both Total AMS and the overall base level of Total Trade Distorting Domestic Support. When recent policy reforms and likely changes such as the Agenda 2000, the Midterm Review Reform, the proposed sugar reform in the European Union and the farm bills of 1996 and 2002 in the United States are taken into account, it becomes clear that both the European Union and the United States would be able to accommodate low or moderate reductions in both Total AMS and Total Trade Distorting Domestic Support. In respect of high reductions, further domestic reforms would be needed for both the European Union and the United States.*

**Key Words:** Domestic Support, Aggregate Measurement of Support, World Trade Organization

Doha Development Agenda. JEL. Classification: Q18, F13, O19

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## 1. Introduction

One of the important issues in the current round of the WTO (World Trade Organization) trade negotiations under the Doha-Development Agenda (DDA) is agricultural domestic support of member countries. The end goal of the DDA is straightforward. The future agreement on domestic support reductions has to achieve: increased discipline with regard to support instruments and serious reductions in real support levels. The problems for the DDA is rather a lack of political willingness in many OECD countries, hence the United States and the European Union, than sound economic arguments. Throughout the history of the GATT (General Agreement of Tariffs and Trade), agriculture has been a major conflict issue. This has been especially obvious since the full inclusion of the sector in the Uruguay Round negotiations (1986-93). For many countries like the United States and the European Union agricultural subsidies is a very sensitive topic. These domestic policies are deeply rooted in a long series of historical events and conditional economic and political structures and institutions (Zobbe and Paarlberg, 2003; Zobbe, 2001). Further domestic reforms are complicated and are slowing the multilateral process under the Doha negotiations.

The Uruguay Round Agreement on Agriculture (URAA) established the disciplinary framework for domestic agricultural support in WTO member countries by categorizing support into three boxes: an Amber Box with trade-distorting support, a Blue Box with production-coupled support combined with production constraining programs, and a Green Box with decoupled support programs (see Hart and Beghin 2005 for details). The URAA introduced reduction commitments on the amount of domestic support allowed in the Amber Box, while assistance in the Blue and Green Boxes was exempt from reduction commitments.

In the Amber Box, an Aggregate Measurement of Support (AMS) was defined as an indicator of the amount of trade-distorting support. A 20 percent reduction commitment on the Total AMS was agreed by developed countries (and 13 percent by developing countries) in the URAA, from an initial historical base of domestic support. In principle all production-coupled support should have been cut but because of the exemption of the Blue Box, and a historical base period reflecting very high initial support levels, domestic support cuts following the URAA have been rather disappointing (OECD 2001).

The objective of this paper is twofold. *Firstly*, to analyze prospects for reductions in AMS, *de minimis* and Blue Box domestic support commitments across developed

WTO member countries, and to compare those prospective commitments with recent policy reforms in the European Union and the United States. *Secondly*, to indicate problems with the current concept of AMS by presenting and analyzing possible political options with respect to the notification of domestic agricultural support. Section 2 introduces the term AMS more formally and compares the concept of AMS with the OECD concept of PSE and presents current AMS values broken down by products and countries. Two scenarios of, respectively a possible and a significant AMS, *de minimis* and Blue Box reductions are then presented in section 3. Section 4 compares, first of all, the scenarios with post-2001 policy changes in the European Union and the United States, and secondly introduces different means by which the two countries can fulfill their future commitments, before conclusions are drawn in the final section 5.

## **2. Domestic support: PSE versus AMS**

The OECD Secretariat measures various types of agricultural support. The rationale for its efforts is to provide an objective estimate that can be used in the monitoring and evaluation of agricultural policy and be comparable across countries (OECD 2004). Its Producer Support Estimate (PSE) provides an estimate of the monetary equivalent of all transfers to producers from consumers and taxpayers. It differs in many ways from the Uruguay Round's Aggregate Measurement of Support (AMS), which was constructed as a means of disciplining trade-distorting domestic support alongside disciplines on market access and export subsidies. The AMS is not a measure of the current support to agriculture, because some of its components are calculated using historical prices. AMS combines Disciplined (Amber Box) Consumer and Taxpayer Financed support (non-exempt support) given to agricultural products. These disciplined support policies include commodity-specific market price support based on administrative prices, direct government payments to producers, other commodity-specific transfers, and non-commodity specific measures of support received by producers. Domestic support exempted from AMS includes *de minimis*, support in the Blue and Green Box and Development Programs. Figure 1 presents a structural overview of domestic support and the different exempt and non-exempt components of domestic support.

With respect to market price support (MPS), two important points need to be made. Firstly, the PSE uses current, observed, domestic and external prices to measure the support element, whereas the AMS uses administrative prices and an external price

fixed by the URAA. This fixed price is an average for the period 1986-88<sup>3</sup>. Secondly, in the AMS approach, MPS only exists if an administrative price is officially reported. This means that MPS through border measures without a notified administered price is not included in the AMS, but would remain in the PSE's MPS component (OECD 2001 pp. 116-11; Hart and Beghin 2005)<sup>4</sup>.

The *de minimis* rule excludes domestic support in the calculation of the AMS, when product-specific support is less than 5 percent of the value of production for developed countries and 10 percent for developing countries. Non-product-specific support is exempt up to 5 percent of the total value of production for developed countries and 10 percent for developing countries. This rule has been interpreted to allow industrial countries up to ten percent of the value of their output as *de minimis* – 5 percent product-specific and 5 percent non-product-specific.

More than 30 countries made commitments under the URAA to reduce distorting domestic support and to keep Amber Box support under ceiling commitments in their schedules. Developed countries agreed to a 20 percent reduction in AMS to be achieved in six installments from 1995, while developing countries agreed to a 13 percent reduction over a 10-year period and least developed countries agreed not to increase support beyond the base period level. The base period for Total AMS reductions is 1986-88. After the implementation of the URAA and its reduction commitments for Total AMS, member countries were left with a binding constraint on the level of permitted domestic support in the Amber Box.

Countries with reduction commitments are responsible for reporting changes in the total level of support and in the composition of support to the WTO. This process of monitoring is important. Members can see if countries are fulfilling their commitments distributed on boxes and *de minimis*. However, reporting lags are uneven across countries. Table 1 presents a snapshot of notified Total AMS in 1999 (the most-recent year with a full dataset) by developed countries for 18 aggregated products and for non-product-specific support. The European Union, the United States and

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<sup>3</sup> The use of the period 1986-88 as reference is one of the biggest problems in the URAA. This reference period is not alone used in the area of domestic support but also in other major areas of the agreement. The problem is that this period constitute a time of significant high protection, hence high price support, high tariffs and high export subsidies.

<sup>4</sup> Japan has used this method (loophole) to reduce its AMS reported to the WTO. Japan simply abolished its administrative price for rice, which reduced its notified MPS in the AMS, but at the same time maintained its level of support for rice through border protection measures wherefore the MPS component of the PSE did not change.

Japan account for more than 90 percent of the US\$81 billion notified AMS in 1999. The European Union alone accounts for more than 60 percent (\$50 billion). This snapshot also gives some information about politically sensitive products, which include milk, beef, sugar, fruit and vegetables, and grains. Table 2 presents notified data for domestic support under the *de minimis* rule for 1999, by countries and products. The United States accounts for more than 80 percent (\$7 billion) of total *de minimis*, and just about all of it is non-product-specific. Only a few other countries have some *de minimis* payments<sup>5</sup>.

AMS notifications for the European Union and the United States are available for 2001. These are presented in Tables 3 and 4. Total AMS in the European Union equals €44 billion, and the most-supported products are Beef, Vegetables and Fruits, Milk, Sugar, and Grains. MPS is the most dominating support element. As regards the United States, the Total AMS was \$14 billion, and the most-supported products are milk, oilseeds, and non-product-specific support. But, because of the *de minimis* rule, the \$6.8 billion in non-product-specific support is not included in Total AMS. Disciplined Taxpayer Financed direct payments are the most dominating support element. Let us now consider possible reduction scenarios under the current negotiations.

### **3. Possible Doha-Round reductions**

The focus of the Doha Work Program (WTO, 2004) with regard to domestic support introduces a framework to reduce the possible use of Amber Box (AMS) and Blue Box payments and payments under the *de minimis* rule. Overall, the framework calls for “substantial reductions in trade-distorting domestic support” and specifies that special and differential treatment will be an integrated part of domestic support, and that there will be a strong element of harmonization in the reductions made by developed countries.

To secure substantial reductions both the *de minimis* level and the allowed amount of Blue Box support will be capped. More specifically, the overall base level of all trade-distorting domestic support, as measured by the Final Bound Total AMS plus the permitted *de minimis* level plus the highest level of Blue Box payments during a recent reprehensive period, will be reduced according to a tiered formula; in the first year of implementation countries have to reduce support by 20 percent relative to this

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<sup>5</sup> For a complete overview of notified support from all countries with WTO commitments see Jensen and Zobbe (2005) Table 9.1 and Table 9.2.

overall base; reductions in *de minimis* are also to be negotiated; Blue Box support in the future will not exceed 5 percent of a WTO member's average total value of production during an historical period to be agreed upon; and direct payments that do not require production under certain conditions can be placed in the Blue Box.

Following these guidelines, Table 5 is constructed to analyze the outcome of a possible future agreement. For all countries the overall base value of all trade-distorting domestic support (column 4) is presented in the first row (Base Commitments) for each country listed. This level is calculated by adding Total AMS base levels from the URAA final bound AMS levels (column 1) to the permitted *de minimis* payments in a given reference period (column 2) plus the highest of the existing Blue Box payments during the 1995-2002 period, or 5 percent of total value of agricultural production (column 3). Following the framework, the reduction commitments modeled use a tiered reduction formula reducing both the base AMS commitment and total trade-distorting domestic support. For the sake of argument, two different sets of possible reduction commitments are considered: A relatively high reduction commitment and a more politically feasible, low reduction commitment. According to Agra Europe (2005) the European Union can easily end up being forced to reduce its levels of domestic support by a higher percent than any other developed country (Agra Europe, 2005 pp. 1-2). This reflects the fact that the European Union is the world's largest provider of domestic agricultural support in absolute terms. The reduction percent is shown in column 7<sup>6</sup>.

The second and third rows in Table 5 present the new commitments for each country. Iceland, Norway, Switzerland, Japan and the European Union are placed in the first tier where Total AMS are reduced by 50 % (60) and the overall base level of trade-distorting domestic support is reduced by 60 % (70) in the low reduction commitment (in the high reduction commitment). Canada and the United States are placed in the second tier where the Total AMS is reduced by 35 % (55) and the overall base level of trade-distorting domestic support is reduced by 45 % (65). Finally, Australia and New Zealand are placed in the third tier where the Total AMS is reduced by 25 % (45) and the overall base level of trade-distorting domestic support is reduced by 35 % (55). The *de minimis* is reduced from 5 percent of the value of production to 2.5

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<sup>6</sup> Considering the different tiers and their reduction commitments the only thing that seems clear at this moment of the negotiation of the Doha-Development Agenda is that there will be used a tier approach. The reductions and number of tiers studied in this paper is just a humble try to indicate some possibilities. That is the reason for the introduction of the low and high scenario and the three tiers. In Jensen and Zobbe (2005) we use a fourth tier for developing countries.

percent of the value of production. This second and third row can be compared to the fourth row, which for each country presents the latest notification to the WTO. Regardless of low or high level of reductions, Iceland, Norway, Switzerland, the European Union, and the United States have problems on both Total AMS and overall base level of trade-distorting domestic support. The notified support from Japan, Canada, New Zealand and Australia fulfill both reduction scenarios on both Total AMS and the overall base level of trade-distorting domestic support. The problem here is that 2001 notifications do not tell the whole story. Let us now consider the OECD agricultural policy reform process and hence the European Union and the United States in more detail.

#### **4. Recent policy reforms and future political options**

Since the mid-1980s most OECD countries have made reforms to their agricultural policies. Many economists argue that the OECD Trade Mandate of 1982 and the launch of the Uruguay Round negotiations in 1986 triggered this reform process. Others argue that the reform process in the European Union and the United States has been driven mainly by domestic rather than international politics (Paarlberg 1996). During the negotiations under the Uruguay Round, the European Union implemented the MacSharry Reform of the Common Agricultural Policy (CAP) and the United States implemented Farm Bill 1990. Both sets of legislation introduced more market-oriented policies and helped the multilateral agreement on its way, and vice versa. Since the conclusion of the URAA in late 1993 and the official launch of the Doha Development Round, both the European Union and the United States have introduced further agricultural policy legislation.

In the case of the European Union, the Agenda 2000 Reform was adopted in 2000 and the more fundamental Midterm Review Reform (MTR) will be implemented across Europe beginning in 2005 (Jensen and Frandsen 2003). The Agenda 2000 Reform makes further reductions in some of the administrative prices in key market organizations under the CAP. In contrast with the MacSharry Reform, these price cuts are only partly compensated through hectare and animal premiums. The price support element of the CAP is part of the Amber Box and hence the AMS. The compensatory premiums are paid to farmers in combination with set-aside programs and are therefore allocated to the Blue Box. The MTR Reform introduces decoupled payments. The idea is to change both the hectare and animal premiums into historically based payments. The European Union member countries can choose to keep a small amount of production-coupled premiums, and the European Commission expects about 10 percent of



payments to remain coupled to production. This policy change will probably mean that most of the support now in the Blue Box will be moved to the Green Box<sup>7</sup>. Nevertheless, the European Union will still need the Blue Box for what is left of hectare and animal premiums and for future reform scenarios. The MTR Reform only introduces minor changes in the market price support regimes. The European Union sugar regime has not been touched by reforms yet, but the European Commission has put forward a number of reforms. The administrative sugar price will be reduced by 39 percent over a few years. Sugar beet growers will be partly compensated by decoupled payments.

Table 6 sums up the reductions in administrative prices implemented under the Agenda 2000, and the MTR Reform, together with the proposed reductions in the sugar intervention price. If the latter price reductions are implemented, a new Total AMS can be calculated and compared with the estimated new commitments presented in Table 5. This is done in Table 7 for the European Union. The bottom line is that it brings the European Union's Total AMS down from €44 to €29 billion. In respect of the largest reduction in Total AMS by 60 percent and Total trade distorting domestic support by 70 percent, the already achieved reforms are not enough. The European Union falls short of €2 billion in AMS and a little less than €3 billion in Total trade distorting domestic support. Let us now consider the lowest reduction scenario. Here the AMS is reduced by 50 percent while the total trade distorting domestic support is reduced by 60 percent. In this reduction scenario the EU has no problem in keeping its domestic support notification within these limits.

In the United States, a fundamental reform became reality under the 1996 Farm Bill, when the traditional approach to US agricultural policy was changed. Supply management in most areas was abolished, and the deficiency payment programs were converted to decoupled payments based on historical data. Also, the income safety net was lowered. Loan rates and hence loan deficiency payments were reduced, and a philosophy that farmers, in the future, should be guided more by the markets than by policies was adopted. The consequences for the commitments under the WTO were lower Amber Box support and a transfer of all Blue Box support to the Green Box. For political reasons, the United States then argued for the complete abolition of the

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<sup>7</sup> This may not be the case though. According to Agra Europe (2005), the WTO ruling against the United States Cotton subsidies could be used by analogy in the case of the Single Farm Payments (SFP). The problem lies in that both the United States cotton subsidies and SFP are supposed to be decoupled, but for farmers to receive them, they are not allowed to grow fruit and vegetables, or other permanent crops (Agra Europe, 2005).

Blue Box, but soon thereafter things changed for the worse: market prices fell, and bad weather across the country squeezed farm incomes. The political response was to provide ad hoc payments year after year so that the total AMS was back at former levels. The 2002 farm bill introduced a new policy instrument, which institutionalized the former *ad hoc* arrangements as counter-cyclical payments (CCP) that are non-product-specific and partly decoupled.

Table 8 incorporates legislation already implemented together with the new commitments from Table 5. The most likely result of the current WTO negotiations will be to categorize the counter-cyclical payments as Blue Box support. The removal of the production control binding in WTO (2004) is a strong indicator of this assumption. This exercise means, in practice, that the *ad hoc* payments notified in 2001 as \$4.6 billion can be moved from the *de minimis* payments to the Blue Box. After these changes, the estimated new total AMS increases to \$14.6 billion and the new estimated Total Trade Distorting Domestic Support remains at \$21.5 billion. In contrast, this helps the United States achieving the 50 percent reduction in support under the *de minimis* rule. In respect of the largest reduction in total AMS by 55 percent and total trade distorting domestic support by 65 percent, the already achieved policy changes are not enough. The United States falls short of \$6 billion in AMS and \$8 billion in total trade distorting domestic support. Let us now consider the lowest reduction scenario. Here the AMS is reduced by 35 percent while the Total Trade Distorting Domestic Support is reduced by 45 percent. This reduction scenario brings us very close to the support levels after taking recent policy changes under consideration. The estimated level of Total AMS of \$14.6 billion falls short of the estimated new commitment on \$12.4 billion by only \$2.2 billion. In the case of Total trade distorting domestic support, the end result is even closer. Here the estimated level of \$21.5 billion falls short of the new estimated commitment on \$21.1 billion by only \$0.4 billion.

Let us now discuss future agricultural policy options for the European Union and the United States in relations to bringing down their domestic support notifications and hence improve their WTO negotiation position. In addition to lowering the administered intervention prices, as mentioned above, the MTR reform of the CAP in the European Union also decouples the support from actual production by introducing a single farm payment to farmers. In the case of beef, the introduction of decoupled direct payments is expected to reduce the stock of breeding animals in the EU, thereby reducing beef and veal production, which, in 2003, was already lower than the total consumption in the European Union for the first time in 20 years. This situation is expected to persist with intervention stocks being cleared out in 2004 (European Com-

mission, 2004). Given this new market situation, the administered price for beef could become obsolete. Therefore, the European Union could simply abolish it, reducing its reported AMS accordingly without actually doing anything else. Compared to the estimated Total AMS and Total Trade Distorting Domestic Support, this exercise will reduce the levels by €3.6 billion. Along with abolishing the administered price for beef the European Union could analyze all the market organizations in the same way. Another strategy could be simply to abolish the administrative price and then support the internal European price by means of border protection<sup>8</sup>. The problem here is just that the European Union also finds itself under attack on this WTO issue by a long list of WTO member countries. If, for some reason, the politicians of the European Union are not satisfied with the income response of the CAP after these policy changes, Table 7 indicates that there is room for more support in the Blue Box.

In respect of the United States, two issues will be discussed. The first issue is an area where the United States can relatively easily cut down from the final bound AMS, and hence the total base commitment is the MPS payments related to its dairy policy. Sumner (2003) noted that the administered price for dairy could be abolished without hurting the American milk producers. The relationship between the administrative price and the actual support level for the producers are out of touch. The support element would be more efficiently reached by a decoupled payment (Sumner, 2005 p. 119). If this policy approach were adopted, the Total AMS and the Total Trade Distorting Domestic Support reported in 2001 would be reduced by \$4.5 billion. The second issue has something to do with the budget for American agricultural policy. USDA runs long-term baseline projections of budget costs. These projections are conducted each year in order to forecast costs of farm programs for the President's budget. In their latest agricultural baseline projections to 2014 (USDA, 2005), direct government payments to farmers are projected to fall from over US\$24 billion in 2005 to about US\$11 billion per year for the period of 2010-14. Towards the end of the projections, direct government payments will largely consist of fixed direct payments under the 2002 Farm Act and conservation payments, which are Green Box payments. This projection is based on the assumption that government payments fall as rising market prices for program commodities reduce loan benefits and CCP to farmers, and by further policy reforms implemented by lowering support ceilings calculated by farm unit. If these projections are found to be the case (i.e., if marketing

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<sup>8</sup> The system of market organizations is fundamental for the Common Agricultural Policy and it is very doubtful that these possible policy changes are politically feasible for the European politicians. The suggestion though indicates the possibilities for maneuvering in the system by abolishing administrative prices and box shifting of support.

loan gains and loan deficiency payments are reduced to zero and future Blue Box payments are drastically reduced), the AMS level notified in 2001 would be reduced by roughly \$6.2 billion, thereby enabling the United States to comply with both the low and high estimated new reduction commitments<sup>9</sup>.

## **5. Conclusion**

The July 2004 Framework provides a basis for developing different reduction scenarios for countries with domestic support commitments. Regardless of low or high level of reductions, Iceland, Norway, Switzerland, the European Union, and the United States would have problems on both Total AMS and overall base level of Total Trade Distorting Domestic Support.

Member countries' positions in the negotiations necessarily reflect domestic politics, both current and prospective. As under the Uruguay Round negotiation, the direction of causality is not obvious. Domestic politics influence the negotiations and the negotiations influence domestic politics. A comparison of recent agricultural policy reforms in the European Union and the United States gives us some insights. In the European Union case Agenda 2000, the Midterm Review Reform and the proposed sugar reform are taken into account, while in the United States, its farm bills of 1996 and 2002 are considered. Once these are taken into account, it becomes clear that both the European Union and the United States would be able to accommodate low and moderate reductions on both Total AMS and Total Trade Distorting Domestic Support. In respect of high reductions, further domestic reforms would be needed for both the European Union and the United States.

The negative conclusion on domestic support and the Doha-Development Agenda is that only an agreement including high reduction commitments will mean real reductions in current domestic support levels while i.e. the European Union and the United States already lives up to future low or moderate reduction commitments.

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<sup>9</sup> The proposed cut in overall support ceilings is a very sensitive issue in the farm policy debate in the United States. Passing of such a bill in the Congress will face problems. According to Agra Europe (2005) the Secretary of Agriculture already reconsiders the proposal. USDA still have to do the cuts but other areas like conservation policy and Food Stamps are now mentioned as potential subsidy reduction areas.

The positive conclusion on domestic support and the DDA is that it seems like the future agreement will be able to remove most of the water in the area of domestic support and hence the tenth multilateral round will have potentials to achieve significant results.

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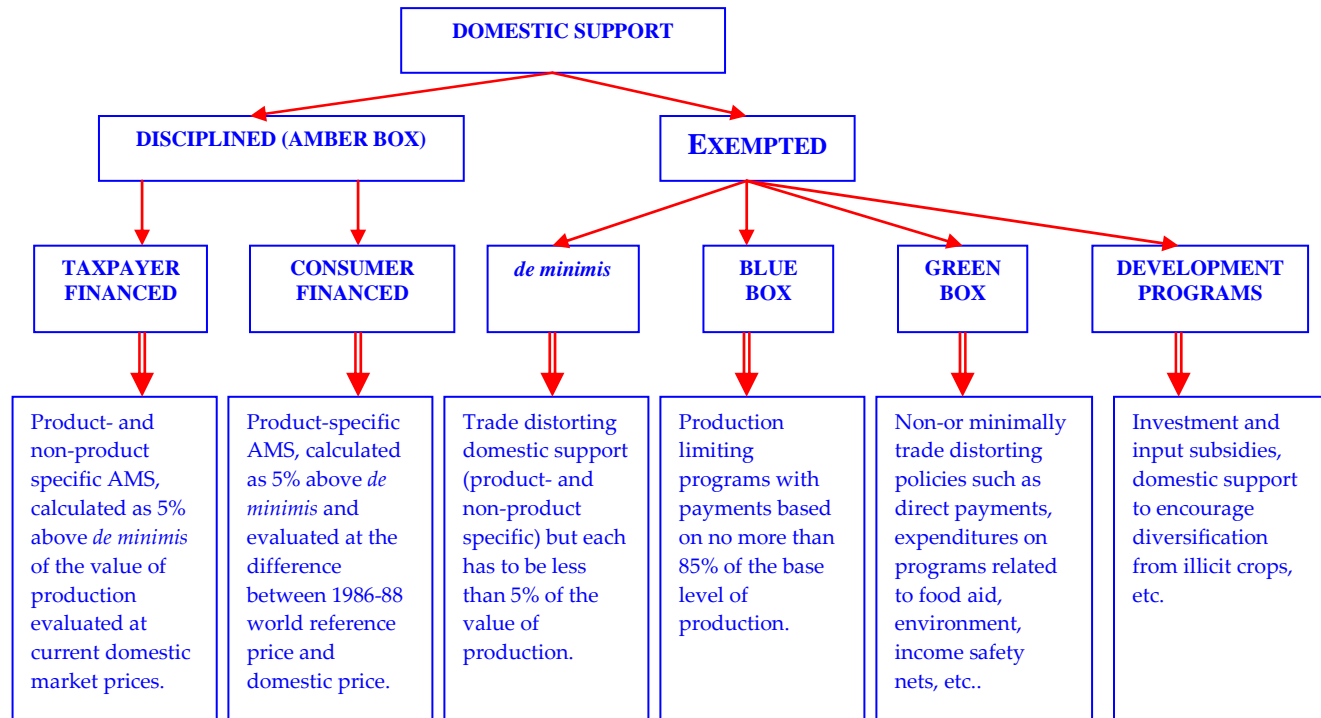
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Figure 1. Measures of domestic support and the WTO



Notes: The 5 percent above *de minimis* applies for the sum of taxpayer- and consumer-financed support. The *de minimis* exemption can include consumer-financed support.

Source: de Gorter and Baffes (2005)

**Table 1. Current total AMS, 1999 (US\$ million)**

	Rice	Wheat	Grains	Veg. & Fruits	Oil-seeds	Sugar	Fibres	Wine	To-bacco	Live-stock	Beef	Pork	Poultry	Other Meat	Milk	NPS**	Others	Total
Iceland	0	0	0	0	0	0	3	0	0	0	14	15	20	29	103	0	0	185
Norway	0	42	144	18	0	0	0	0	0	0	259	195	130	113	467	-9	0	1359
Switzerland*	0	163	158	75	30	0	0	0	5	0	383	458	187	0	651	0	0	2110
Japan	0	617	197	0	89	492	9	0	0	0	1503	2370	0	0	1270	0	143	6690
EU15	410	3048	4593	9933	2273	6004	794	2140	1027	0	13649	0	0	0	6064	0	0	49934
Israel	0	0	0	0	0	0	0	0	0	0	0	0	52	0	205	0	0	257
Canada	0	0	136	0	29	0	0	0	0	5	0	109	0	0	361	0	0	639
USA	435	974	2779	119	3400	1207	2364	0	924	0	0	0	0	0	4660	0	0	16862
New Zealand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Australia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40	0	0	40
Other Countries*	1708	80	495	67	0	128	61	0	90	0	0	0	0	0	15	67	0	2715
<b>Total</b>	<b>2556</b>	<b>4927</b>	<b>8501</b>	<b>10212</b>	<b>5821</b>	<b>7831</b>	<b>3231</b>	<b>2140</b>	<b>2047</b>	<b>5</b>	<b>15807</b>	<b>3147</b>	<b>389</b>	<b>143</b>	<b>13836</b>	<b>57</b>	<b>143</b>	<b>80792</b>

Notes: \* Switzerland's reported AMS is for the year 1998, Brazil 1997/98, Jordan 2002, Mexico 1998, Thailand 1998 and Venezuela 1998.

\*\* Non Product Specific (NPS) domestic support . n.a. not available. Sources: WTO (2004b) and USDA (2004)

**Table 2. Payments not included in current total AMS due to *de minimis*, 1999 (US\$ million)**

	Rice	Wheat	Grains	Veg. & Fruits	Oil-seeds	Sugar	Fibres	Wine	To-bacco	Live-stock	Beef	Pork	Poultry	Other Meat	Milk	NPS**	Others	Total
Iceland	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Norway	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Switzerland*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Japan	0	0	0	80	0	0	0	0	0	0	0	0	13	0	0	199	0	292
EU15	0	16	0	2	0	0	0	0	0	0	0	0	0	0	0	303	0	322
Israel	0	3	0	9	0	0	0	0	0	0	1	0	7	0	0	60	7	88
Canada	0	42	0	11	14	0	0	0	0	0	45	0	0	0	0	0	2	115
USA	0	0	0	14	2	0	0	0	0	13	0	0	0	0	0	7406	0	7435
New Zealand	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Australia	0	1	0	0	0	0	0	0	0	0	0	7	0	4	0	3	0	14
Other Countries*	25	7	55	62	94	89	0	0	0	28	2	9	0	0	0	480	36	892
<b>Total</b>	<b>26</b>	<b>69</b>	<b>56</b>	<b>177</b>	<b>111</b>	<b>89</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>49</b>	<b>15</b>	<b>21</b>	<b>4</b>	<b>0</b>	<b>8451</b>	<b>45</b>	<b>9156</b>

Notes: \* Switzerland's reported AMS is for the year 1998, Brazil 1997/98, Jordan 2002, Mexico 1998, Thailand 1998 and Venezuela 1998.

\*\* Non Product Specific (NPS) domestic support . n.a. not available. Source: WTO (2004b) and USDA (2004)

**Table 3. EU15 AMS notifications, 2000/01 (million Euro)**

	Market Price Support	Non- Exempt Direct Payments	Other Product Specific Support	Equivalent Measure of Support	Non Product Specific	AMS	Commit- ment
Rice	393	0	0	0	0	393	
Wheat	1932	8	0	0	0	2271	
Grains	3350	306	0	0	0	3672	
Veg. & Fruits	0	746	0	8796	0	9537	
Oilseeds	2070	0	0	103	0	2173	
Sugar	5797	12	0	0	0	5809	
Fibbers	0	0	0	888	0	888	
Wine	0	0	0	807	0	807	
Tobacco	0	964	0	0	0	964	
Livestock	0	0	0	0	0	0	
Beef	11190	0	0	0	0	11190	
Pork	0	10	0	0	0	0	
Poultry	0	0	0	0	0	0	
Other meat	0	0	0	0	0	0	
Milk	5951	0	0	0	0	5951	
NPS	0	0	0	0	538	0	
Total	30684	2047	0	10593	538	43654	67159

**Table 4. United States AMS notifications, 2001 (US\$ million)**

	Market Price Support	Non- Exempt Direct Payments	Other Product Specific Support	Equivalent Measure of Support	Non Product Specific	AMS	Commit- ment
Rice	0	728	35	0	0	763	
Wheat	0	177	13	0	0	0	
Grains	0	1219	77	0	0	1270	
Veg. & Fruits	0	0	0	0	0	0	
Oilseeds	311	3533	160	0	0	4004	
Sugar	1032	27	2	0	0	1061	
Fibres	0	2723	87	0	0	2810	
Wine	0	0	0	0	0	0	
Tobacco	0	6	-7	0	0	0	
Livestock	0	22	0	0	0	22	
Beef	0	0	0	0	0	0	
Pork	0	0	0	0	0	0	
Poultry	0	0	0	0	0	0	
Other meat	0	0	0	0	0	0	
Milk	4483	0	0	0	0	4483	
NPS	0	0	0	0	6828	0	
Total	5826	8435	367	0	6828	14413	19103

**Table 5. Domestic support base commitments, new commitments and latest WTO notifications**

		Currency	AMS	De minimis	Blue Box	Total	Production value	Total as percent of prod. value	Reduction Total/AMS
			(1)	(2)	(3)	(4)=(1+2+3)	(5)	(6)=(4/5)	(7)
Iceland	Base Commitment	Million SDR	130	6	15	150	114	132	
	New Commitment**		65	2.5%	6	60			60/50
	New Commitment**		52	2.5%	6	45			70/60
	Notif. 2000***		117	0	0	117			
Norway	Base Commitment	Million NOK	11449	884	7880	20213	17682	114	
	New Commitment		5725	2.5%	884	8085			60/50
	New Commitment		4580	2.5%	884	6064			70/60
	Notif. 2001		10700	0	7240	17940			
Switzerland-Liecht.	Base Commitment	Million Sw f.	4257	365	365	4987	7304	68	
	New Commitment		2129	2.5%	365	1995			60/50
	New Commitment		1703	2.5%	365	1496			70/60
	Notif. 1998		3273	0	0	3273			
Japan	Base Commitment	Billion Yen	3973	452	452	4878	9047	54	
	New Commitment		1987	2.50%	452	1951			60/50
	New Commitment		1589	2.5%	452	1463			70/60
	Notif. 2000		709	32	93	833			
EU15	Base Commitment	Million Euros	67159	12097	21521	100777	241943	42	
	New Commitment		33580	2.5%	12097	40311			60/50
	New Commitment		26864	2.5%	12097	30233			70/60
	Notif. 2000/01		43654	561	22223	66438			
Canada	Base Commitment	Million Can\$	4301	1537	1537	7375	30737	24	
	New Commitment		2796	2.5%	1537	4056			45/35
	New Commitment		1935	2.5%	1537	2581			65/55
	Notif. 1999		939	1102	0	2041			

**Table 5. Continued**

USA	Base Million						
	Commitment US\$	19103	9656	9656	38416	193129	20
	New						
	Commitment	12417	2.5%	9656	21129		45/35
	New						
	Commitment	8596	2.5%	9656	13446		65/55
	Notif. 2001	14413	7045	0	21458		
<hr/>							
New Zealand	Base Million						
	Commitment NZ\$	288	669	669	1626	13385	12
	New						
	Commitment	216	2.5%	669	1057		35/25
	New						
	Commitment	158	2.5%	669	732		55/45
	Notif. 2001	0	0	0	0		
<hr/>							
Australia	Base Million						
	Commitment A\$	472	1747	1747	3965	34934	11
	New						
	Commitment	354	2.5%	1747	2577		35/25
	New						
	Commitment	260	2.5%	1747	1784		55/45
	Notif. 2002/03	213	20	0	233		

\* Base level of trade-distorting domestic support

The Total AMS (1) Base level values are taken from the Uruguay Rounds final bound AMS levels.

The permitted *De minimis* (2) payments included in the overall base level of trade-distorting domestic support are calculated as 5 percent of the total value of agricultural production as defined by an average production value in a given reference period (column (5)). Blue Box (3) payments included in the Total Base Level of all trade distorting support is the higher of existing Blue Box payments during the 1995–2000 period or 5 percent of the value of agricultural production (5). The Total (4) value of overall base level of support is column (1) + (2) + (3). The reference value of agricultural production (5) in OECD countries is calculated as the average production value in the period 1999–2002 using values found in the PSE Tables. For other countries an average of the reported total value of agricultural production found in the WTO notifications has been used where available. In column (6) the Total value of the overall base level of all trade-distorting domestic support is calculated as a percentage of the value of agricultural production with Iceland having the largest percentage value and Australia the lowest among developed countries. In column (7) the assumed reduction commitments for the overall base level of domestic support is specified, where developing countries with the highest level of possible trade distorting domestic support as defined in column (6) making the largest reductions.

\*\* New commitments

The Total AMS and the overall base level of domestic support is reduced by a low and a high reduction commitment (column 10). The permitted *De minimis* value of domestic support is reduced from 5/10 percent of agricultural production value, to 2.5/5 percent. Blue Box payments are limited to 5 percent of the agricultural production value found in column (5). The Total overall base level of domestic support is reduced by the percentage found in column (7).

\*\*\* The latest notification to the WTO

**Table 6. Agenda 2000 and MTR Intervention Price reduction**

	Notification 2000/01 Administered Price Euro/t	New Administered Price Euro/t
Cereals	110.25	101.3
Rice	298.40	150.0
Skimmed milk powder	2055.20	1747.0
Butter	3282.00	2464.0
Beef	3242.00	2224.0*
Sugar	631.90	385.5*

Note: \* The Agenda 2000 reform of the CAP and the proposed sugar reform abolishes the intervention prices for beef and sugar respectively, which has been, until now, used in the calculation of MPS in the EU's notification to the WTO. Instead the EU introduces a basic price of 2224 € per tonne of beef and a reference price for sugar of 385.5 € per tonne. The new basic and reference prices act as trigger level for private storage as well as setting the level of border protection in the EU. In the calculations made in this paper it is assumed that the EU will notify these prices as new administered prices and use them in the calculation of the MPS component of the AMS.

Sources: EU (2003a,b,c), European Commission (2004).

**Table 7. Possible overall reduction in EU-15 trade distorting domestic support (million €)**

	De minimis			Total trade	
	AMS	Non Product Specific	Product Specific	Blue Box	Distorting Do- mestic Support
Million EUROS					
Base Commitment	67159	12097		21521	100777
Notif. 2001	43654	538	40	22223	66455
Of which MPS	30684				
Reductions					
MPS reductions					
Rice	-376				
Rye	-238				
Other cereals	-1701				
Milk	-1893				
Beef	-7533				
Sugar	-3425				
Total MPS reductions	-15166				-15166

**Table 7. Continued**

Non MPS reductions	17	0	-17	-18223	-18223
New domestic support	28505	538	23	4000	33066
New Commitment					
60/50	33580	6049		12097	40311
New Commitment		6049		12097	30233
70/60	26864				

**Table 8. Domestic support reductions in the United States (million US\$)**

Million US\$	AMS	Non Product Specific	<i>De minimis</i>		Total trade	
			Product Specific	Blue Box	Distorting Domestic Support	
Base Commitment	19103	9656		9656		38415
Notif. 2001	14413	6828	217	0		21458
of which MPS	5826					
Reductions						
MPS reductions	0					0
Non MPS reductions	206	-4640	-206	4640		0
New domestic support	14619	2188	11	4640		21458
New Commitment 45/35	12417	4828		9656		21128
New Commitment 65/55	8596	4828		9656		13445

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